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SUBJECT: MICROFINANCE TO EMPOWER MUSLIM FILIPINAS

¶1. (U) Summary: The first Islamic microfinance program in the Philippines aims to empower Muslim women living in the Autonomous Region of Muslim Mindanao, a region in the southern Philippines plagued by poverty and conflict. The intent is to expand the program nationwide to help Muslim Filipinas economically and socially, and to promote peace, rule-of-law, and progressive Islamic values. End summary.

PROGRAM LAUCHED WITH ONE AMERICAN DONATION

¶2. (U) Emboff met with Director of the Philippine Council for Islam and Democracy (PCID) Amina Rasul and her sister/partner Fatima Irene Tillah Rasul on May 12, 2009 to discuss the first Islamic microfinance program in the Philippines. Amina Rasul is a human rights and peace advocate known for her efforts to enhance the status of Muslim women in the Philippines. Fatima Rasul is former Philippines Department for Trade and Industry Regional Secretary for the Autonomous Region of Muslim Mindanao. The microfinance program is part of the Livelihood Program of The Magbassa Kita Foundation, Inc., a non-profit organization dedicated to literacy, poverty alleviation, and peace. The Islamic Microfinance Program was launched in October 2008 with a \$100k personal donation from Filipina-American Dr. Myrna L. Soriano.

NOT JUST MICROFINANCE, BUT ISLAMIC MICROFINANCE

¶3. (U) Microfinance is not new in the Philippines and is part of the Philippine government's anti-poverty campaign. However, the region of Mindanao is severely underserved by microfinance institutions despite having the highest poverty rates in the Philippines. Of the 47 towns lacking access to microfinance in the Philippines, 33 are located in this region. Reasons include security concerns, remote locations, and illiteracy. Executive Director of the Philippine Office of Muslim Affairs Datu Ali B. Sangki believes that prejudice against Muslims by mainstream financial institutions may also be a factor. Currently, no Islamic banks operate in the Philippines (although one has been chartered, and some mainstream banks offer Islamic banking products). Rasul's Islamic Microfinance Program is the first of its kind in the Philippines, and one of very few microfinance programs operating in Muslim Mindanao.

GOAL: EMPOWER MUSLIM WOMEN-RESIST SAUDI INFLUENCE

¶4. (SBU) Rasul's efforts to empower Muslim women took a giant step forward when she helped launch the National Ulama Council for the Philippines (NUCP) in 2007. Unlike similar Muslim groups in other countries, the Council emphasizes a leadership role for women (the Ulema) and is therefore an important leadership forum for them. The

Islamic Microfinance Program is the brainchild of that leadership. According to Amina Rasul, she developed the Program to respond to the needs and demands of the Ulema for "financial security" for Muslim women. The Program aims to empower Muslim women by providing access to economic opportunities, independent sources of income, and networks of like-minded women. Higher incomes not only help women caregivers put rice on the table, but also enhance their status in their families and communities. Rasul explained that Muslim Filipinas have traditionally enjoyed respect and autonomy in their communities. However, the influence of Saudi missionaries over the past 20 years has caused the "democratic space" of Muslim women to shrink. She pointed to several communities in Mindanao that have passed laws requiring women to veil. Rasul sees microfinance as a way to reverse this "negative trend" for Muslim Filipinas and help them to defend or even take back rights and status.

15. (U) Rasul describes her microfinance program as a pilot project, which, if successful, could expand to every Muslim community in the Philippines. It currently provides microloans of up to \$80 (there is no minimum amount) to Muslim women living in the Autonomous Region. To apply for a loan, women must form a group of six (based on the Grameen community lending model). They must have an existing business and pass a background check. The group of six women selects a leader who travels weekly to the Program Center to make loan repayments for the group. The program funds livelihood businesses such as home-based convenience stores that buy commodities in bulk and sell them retail in small amounts; eateries and food production; charcoal production; sewing; and laminating businesses. Rasul also hopes to encourage ethnic craft businesses.

SPECIAL EXEMPTION FOR ACTS OF GOD AND WAR

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16. (U) In keeping with Sharia law, the women pay "program costs" of 3.33% monthly for their loans, but pay no "interest." This rate is higher than the 2% monthly interest which is standard in loans from rural banks. Loans can be forgiven if armed conflict or other unavoidable problems make it impossible to repay. Amina Rasul said the 85% repayment rate is "good enough," considering the Program operates in the midst of an active armed conflict. Fatima Rasul believes the income generated by the "program costs" fee is enough to ensure the program is sustainable. However, additional funds would be needed to expand the scope of the program.

PROGRAM PROVIDES MORE THAN MONEY

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17. (U) Borrowers receive technical support, including instruction in bookkeeping and business planning, and religious counseling that promotes a progressive interpretation of Islam, including instruction from an imam emphasizing the Islamic requirement to repay debts. The women are required to present their business plans to the larger group, thereby giving them public speaking experience and developing networks of like-minded women to support and encourage each other. Rasul believes that establishing networks and habits of communication among rural women is a key aspect of empowering them, just as important as an independent income. The program also offers literacy training.

WOMEN ARE KEY TO PEACE, LAW, AND "MAINSTREAM" ISLAM

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18. (U) Development experts recognize microfinance as a tool for alleviating poverty, one cause of radicalism. Rasul's Islamic Microfinance Program could provide women in rural Muslim Mindanao with the status and knowledge they need to help communities resist conservative Islamic proselytizers, combat Islamic radicalization, and promote peace in the region. As one Asian Development Bank official explained, when a community is involved in a microfinance project, its group members tend to keep other members focused on income generation, rather than armed conflict. Microfinance could also help create a positive cultural identity for Philippine Muslims by promoting "mainstream" Islamic values and institutions.

19. (SBU) Comment: The Rasuls will review the program at the end of its first fiscal year in July 2009 to determine whether changes are needed. Islamic microfinance experts from Indonesia have offered to provide technical support. This program is timely given current developments in Mindanao, and serves many U.S. interests there. It may therefore be worth further monitoring, and perhaps assisting and replicating elsewhere.

KENNEY